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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

WOOL-10 October 11, 1937

THE WOOL SITUATION

RECEIVED
☆ OCT 16 1937
U. S. Department of Agr.

Summary

Wool prices declined in the domestic market in September but quotations were largely nominal in view of the light trading. The weakness in the domestic market in the last month was preceded by a decline in prices in foreign markets. The domestic price outlook for the next few months is somewhat uncertain, reports the Bureau of Agricultural Economics, because of the unsettled conditions in foreign markets. Domestic stocks of raw wool, however, are below average and the demand situation remains fairly favorable.

The total supply of apparel wool in the United States on September 1 plus the part of the domestic production which will become available in the next few months was about 15 percent larger than a year earlier when supplies were unusually small, but it was smaller than the average for September 1 in other recent years. The increase in supplies this year as compared with a year earlier is due chiefly to larger imports in 1937.

Consumption of apparel wool on a scoured basis by United States mills in the first 8 months of 1937 was 8 percent larger than in the same months of 1936 and was the largest for the 8-month period since 1923. Since consumption in the last 4 months of this year is likely to be smaller than in the same months of last year, stocks on January 1, 1938, probably will be considerably larger than a year earlier but may remain below the average of most recent years.

Wool production for 1937-38 in four Southern Hemisphere countries which furnish 91 percent of the Southern Hemisphere clip is provisionally estimated at 1,967,000,000 pounds, an increase of 3 percent above 1936-37 and 2 percent above the average for the five seasons 1931-32 to 1935-36.

Total supplies from the Southern Hemisphere in the 1937-38 marketing season which is now open probably will show a slight increase over the previous season. The increase in production which appears to be fairly general for the five principal producing countries will more than offset the decrease in end-of-season stocks in these countries. Total supplies in 1937-38, however, are not expected to exceed the average for the five seasons 1931-32 to 1935-36.

DOMESTIC SITUATION

BACKGROUND.- The domestic wool situation in the early part of 1937 was featured by very large mill consumption, below average stocks and a level of domestic prices higher than for any similar period since 1929. The favorable conditions in the domestic market were accompanied by strong demand and relatively small supplies of wool in foreign countries. In recent months, however, domestic mill consumption has declined gradually, and there also has been some tendency for mill consumption of wool in several foreign countries to decline. Prices have declined recently, both in the domestic and foreign markets.

Wool Sales and Prices

Trading in domestic wools on the Boston market was very light in September and quotations were almost entirely nominal. On the basis of asking prices at which moderate quantities of wools of the various grades were available, prices were definitely lower at the beginning of October than a month earlier but the price situation was very irregular.

Average quotations, largely nominal, for territory combing wools in September were about 15 percent below the February high point but about 10 percent higher than a year earlier.

The uncertainty in the wool market at the present time appears to be due largely to the lack of activity in the piece goods market and the decline in wool prices in foreign markets.

Mill Consumption

Mill activity increased in all sections of the domestic wool manufacturing industry in August. The weekly average consumption of apparel wool for the 4 weeks ended August 28 was 5,011,000 pounds scoured basis compared with 4,102,000 pounds in July and 5,757,000 pounds in August 1936. The increase of 22 percent in August as compared with July was much greater than the average seasonal increase for August.

Total consumption of apparel wool on a scoured basis in the first 8 months of 1937 was8 percent larger than in the first 8 months of 1936 and was the largest for the 8-month period since 1923. Consumption from January to August was equivalent to 327 million pounds of shorn wool, greasy shorn basis and 53 million pounds of pulled wool, greasy pulled basis. Mill consumption on a grease basis in the first 8 months of 1936 was equivalent to 316 million pounds of shorn wool and 52 million pounds of pulled wool. Because of the large percentage of light shrinking, foreign wool consumed in the first 8 months of 1937, consumption for that period on a grease basis was smaller than in the same months of 1935.

Although a seasonal increase in mill consumption is probable in the next few months, consumption in the remainder of 1937 is likely to be smaller than in the same months of 1936. Total consumption on a scoured basis in 1937 probably will not differ greatly from that of last year. The 1936 consumption was 8.5 percent smaller than in 1935 but with that exception was larger than for any year since 1923.

Wool Stocks

The supply of apparel wool in the United States on September 1, including the unshorn portion of the 1937 clip, was about 15 percent larger than a year earlier when supplies were unusually small but was probably smaller than the average for September 1 in recent years. The increase in supply this year as compared with a year earlier is due almost entirely to the larger imports so far in 1937.

Since consumption in the remainder of 1937 is expected to be smaller than in 1936 wool stocks on January 1, 1938, are likely to be considerably larger than a year earlier and may also be larger than on January 1, 1936; but stocks probably will remain below the average of other recent years.

Wool Imports

United States imports of apparel wool for consumption were 8,016,000 pounds in August compared with 5,448,000 pounds in July and 6,062,000 pounds in August 1936. Imports of such wool in the first 8 months of 1937 amounted to 134 million pounds compared with 75 million in the same months of 1936 and were the largest for those months since 1926.

FOREIGN SITUATION

Wool Sales and Prices

London auctions

The fourth series of London Wool auctions for 1937 opened September 14. The general uncertainty of the world market was evident at the opening and prices reflected the declines which occurred at the early September sales in Australia. Conditions improved somewhat during the series and although prices in most cases were not quotably higher, they were reported to be much firmer at the close of the sales.

Closing prices for greasy and scoured merino wools at the London sales were 10 to 15 percent lower than at the close of the previous series on July 16. Fine crossbred wools both greasy and scoured were 5 to 10 percent lower than in July and medium and low crossbred 5 to 7-1/2 percent lower. Lambs wool slipes were 7-1/2 to 12-1/2 percent lower than in July and sheeps wool slipes, 10 percent lower.

English buyers took 29,500 bales at the September series, continental European buyers 18,000 bales, and the United States 1,000 bales.

Southern Hemisphere sales

Conditions at the Australian wool sales were irregular in the first half of September and prices declined at all centers. Japan and the United States made no purchases at the early sales of the season, and buying by England and continental European countries as not sufficient to maintain prices at the opening level in view of the generally unsettled conditions in the world markets. Sales increased somewhat in late September and the price decline was checked. Japan made small purchases at Sydney and Adelaide toward the end of the month.

Reports from South Africa indicate that conditions at the early sales in that country were similar to those in Australia.

It was reported in September that Japan's purchases in Australia during the 1937-38 season may not be as large as formerly estimated. On the basis of an Australian - Japanese trade agreement which called for the purchase of 800,000 bales of raw wool between January 1937 and June 1938, purchases in Australia for the current season were expected to total 500,000 bales at least. The importance of the position of Japan in the wool market is evident from the fact that exports to Japan from the five principal Southern Hemisphere markets in the last 2 seasons were exceeded only by those to the United Kingdom.

1937-38 Outlook For Supplies From Southern Hemisphere

The increase in wool production in 1937-38 in the five principal wool producing countries of the Southern Hemisphere probably will more than offset the decrease in end-of-season stocks. Even with the expected increase in supplies above a year ago, however, they are not expected to exceed the average for the five seasons 1931-32 to 1935-36 when they reached 2,211,000,000 pounds and will probably be around 250 million pounds smaller than the record supplies of 1932-33 when both production and stocks of old wool were very large.

Stocks increased in primary markets of the Southern Hemisphere in the years of low wool prices and reached 254 million pounds at the beginning of the 1932-33 season. Since then they have been progressively reduced, and at the beginning of this season amounted to roughly 62 million pounds.

Production in the Southern Hemisphere

Earlier estimates of an increase in production in the Southern Hemisphere in 1937-38 are confirmed by recent reports although modification of the South African estimate is necessitated by continued dry weather.

Production in four countries 1/ which furnish 91 percent of the Southern Hemisphere clip is provisionally estimated at 1,967,000,000 pounds, an increase of 3 percent above 1936-37 and 2 percent above the average for the five seasons 1931-32 to 1935-36.

The increase in production this season appears to be fairly general, although it is not so large in the Union of South Africa as was expected earlier owing to the continued dry conditions in the interior where sheep numbers are large. This has resulted in a downward revision of the early estimate for that country to 277 million pounds, which is an increase of only 5 percent above the revised estimate for last season. The new clip in New Zealand is unofficially estimated at approximately 325 million pounds or 3 percent above the revised estimate for the 1936-37 season. Sheep numbers in New Zealand reached the highest level on record in April 1937, being estimated at 31,211,000 or 4 percent larger than in 1936.

Although estimates are not yet available for the South American countries, recent reports indicate that production in Argentina will probably equal that of last season when it was larger than in 1935-36.

Production in 15 Northern Hemisphere and Southern Hemisphere countries reporting so far for 1937 is now estimated at 2,615 million pounds, an increase of 3 percent above 1936. These countries furnish 75 percent of the world total (Russia and China excluded).

1/ Australia, New Zealand, Union of South Africa, and Argentina.

Movement in Southern Hemisphere countries

Already receipts of wool at markets of Australia, New Zealand and the Union of South Africa in the first 2 months of the 1937-38 season, July and August, show an increase of 17 percent above a year ago and 24 percent above the same months of 1936. The largest portion of the early receipts was received in Australia where the increase was 17 percent above a year earlier. The increase in Australia probably was due in part to earlier marketings in an attempt to avoid deterioration in those districts of New South Wales suffering from dry conditions.

Exports from Australia, New Zealand and the Union of South Africa for the first 2 months of the 1937-38 season were larger than usual; they amounted to 80 million pounds, an increase of 25 percent above the same period of 1936-37 and almost 30 percent above the average for that period for the preceding five seasons. In the 10 seasons 1928-29 to 1937-38, this total has been exceeded only twice, in 1930-31 and in 1933-34.

The quantity of wool exported from all five Southern Hemisphere countries including Argentina and Uruguay in July and August this year exceeded those of a year ago by 24 percent. The South American season ended September 30. Although exports for the entire season are not yet available it appears from the totals for the 11 months ended August 31, 1937, that shipments from Argentina will amount to about 305 million pounds, an increase of 9 percent above 1936-37, and that shipments from Uruguay will approximate 125 million pounds, also an increase of 9 percent above the preceding season.

Supplies in Importing Countries

Information available on supplies of raw wool in foreign importing countries indicates that stocks were relatively low in all countries, with the exception of Japan, at the beginning of the 1937-38 Southern Hemisphere selling season.

Imports of raw wool retained in the United Kingdom from January to August of 1937 were about 50 million pounds smaller than in the same months of 1936 and were also smaller than the average quantity retained for these months in the 5 years, 1932-36. While mill consumption of wool in the United Kingdom so far in 1937 probably has been smaller than in 1936 the decline in consumption is not believed to be as large as the decline in imports.

Imports into Belgium and Italy in the first half of 1937 were larger than in the first half of 1936 but this increase was more than offset by the decline in imports into France and Germany. Combined imports into these four continental European countries from January to June were about 5 percent smaller than in the first half of 1936 and were much smaller than the 5-year 1932-36 average.

Stocks of tops at commission combing establishments in France, Belgium, and Germany on September 1 were smaller than on that date of the 5 preceding years.

Stocks of wool in reporting warehouses of Japan on August 1 were about 25 percent or 20 million pounds larger than a year earlier and with the exception of July 1 of this year were larger than at any previous date according to statistics published in "Wool Intelligence Notes". Imports into Japan in the first 6 months of 1937 were 220 million pounds compared with 179 million pounds imported in the same months of 1936.

Manufacturing Activity in Importing Countries

Mill consumption in the wool textile industry of the United Kingdom has declined slightly in the last few months. While the decline is partly seasonal, total consumption from January through August 1937 was unofficially estimated to be about 6 percent smaller than in the same months of 1936. The Far Eastern disturbance has resulted in some uncertainty in Bradford wool centers. The British Ministry of Labour reports that 9.9 percent of insured workers in the woolen and worsted sections were registered as unemployed on August 23 compared with 10.4 percent on July 26 and 10.9 percent in August 1936.

No material change in activity was reported in the wool textile industries of continental Europe in August and early September, according to a cable from the Berlin Office of the Bureau. The situation is seasonally quiet in France and Belgium and new orders are being withheld in most centers as a result of the recent price decline and general uncertainty in the wool markets.

Activity has been relatively high in Belgium so far in 1937 but conditions in France have been rather irregular. A marked improvement has occurred in the Italian industry, which is emerging from the low level of activity resulting from sanctions and unfavorable economic conditions in 1935-36.

Table 1.- Price of wool per pound in specified markets and prices of textile raw materials in the United States, selected periods, 1935-37

Market and description	Average 1935	Average 1936	1936 Sept.	1937 July	1937 Aug.	1937 Sept.
	Cents	Cents	Cents	Cents	Cents	Cents
Boston:						
Territory combing, scoured basis						
74s, 70s, 80s (fine)	74.8	92.0	89.0	102.0	102.0	98.5
56s, (3/8 blood)	63.6	80.4	78.8	88.5	88.5	85.1
46s (Low 1/4 blood)	51.4	63.9	64.0	70.5	73.5	70.9
United States farm price (15th of month) -						
Grease basis	19.4	1/26.9	26.5	31.3	31.4	30.8
London 2/:						
Average quality, clean cost 3/						
70s	47.5	58.4	56.1	70.4	64.4	59.8
56s	29.0	35.1	33.8	49.7	47.7	47.5
46s	18.6	23.8	26.2	44.2	42.8	41.3
Bradford 4/:						
Scoured basis -						
64 warp	47.7	59.8	59.8	71.5	71.7	61.8
50s	23.2	29.7	28.3	47.7	47.8	44.3
Southern Hemisphere -	Between seasons - prices not representative					
United States:						
Textile fibers -						
Wool, territory fine, scoured basis	74.8	92.0	89.0	102.0	102.0	98.5
Cotton, 7/8 Middling 5/	11.8	11.9	12.0	12.1	10.2	8.7
Silk, Japanese 13-15 6/	163.3	176.6	169.8	194.0	187.3	185.1
Rayon yarn - 150 denier	57.3	58.6	60.0	63.0	63.0	63.0

Foreign prices have been converted at prevailing rates of exchange.

1/ Preliminary.
2/ Average of quotations for each series of London sales as reported by the London Office of the Bureau . For months when no sales were held figures are interpolated.
3/ Top and noil in oil.
4/ Quotations reported about the 25th of the month by the London Office of the Bureau.
5/ Average at 10 markets.
6/ 78 percent white, at New York.

Table 2.- United States: Wool imports, consumption and machinery activity, specified periods, 1936 and 1937

Item	Jan. - Aug.		Aug.	July	Aug.
	1936	1937	1936	1937	1937
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
Imports for consumption -					
Actual weight 1/					
Apparel	74,747	134,038	6,062	5,448	8,016
Finer than 40s	57,717	113,995	4,286	4,520	6,178
Not finer than 40s	17,028	20,043	1,777	928	1,838
Carpet, including camels hair	82,593	141,524	11,291	13,570	12,921
Consumption, scoured basis 2/:					
Weekly average -					
Apparel	5,118	5,537	5,757	4,102	5,011
Carpet	1,804	2,498	2,135	1,581	2,167
Aggregate -					
Apparel	179,141	193,795	23,028	20,510	20,044
Carpet	63,126	87,425	8,540	7,903	8,668
	Percent	Percent	Percent	Percent	Percent
Machinery activity 2/ (40-hour shift) -					
Worsted combs	116.4	135.3	132.2	104.2	110.4
Worsted spindles	76.6	95.7	85.2	70.4	73.4
Woolen spindles	116.0	124.9	126.4	101.6	113.1
Looms broad	99.0	112.5	92.1	92.5	93.0
Looms narrow	49.6	60.9	53.6	40.5	42.3
Carpet and rug looms	62.1	32.0	70.1	62.6	76.4

Import figures from official records of the Bureau of Foreign and Domestic Commerce, Consumption and Machinery Activity figures from the Bureau of the Census.

1/ Weight of greasy, scoured and skin wool added together.

2/ Figures for July based on 5 weeks, August on 4 weeks, January to August on 35 weeks. No adjustment made for holidays.

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